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**SUBSTITUTE HOUSE BILL 1649**

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**State of Washington**

**60th Legislature**

**2007 Regular Session**

**By** House Committee on Appropriations (originally sponsored by Representatives Fromhold, Conway, Bailey, Crouse, Sells, Moeller and Simpson)

READ FIRST TIME 03/05/07.

1       AN ACT Relating to purchasing an increased benefit multiplier for  
2 past judicial service for judges in the public employees' retirement  
3 system and the teachers' retirement system; amending RCW 41.40.124,  
4 41.40.127, 41.40.870, 41.40.873, and 41.32.584; adding a new section to  
5 chapter 41.40 RCW; and adding a new section to chapter 41.32 RCW.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7       **Sec. 1.** RCW 41.40.124 and 2006 c 189 s 5 are each amended to read  
8 as follows:

9       (1) Between January 1, 2007, and December 31, 2007, a member of  
10 plan 1 or plan 2 employed as a supreme court justice, court of appeals  
11 judge, or superior court judge may make a one-time irrevocable  
12 election, filed in writing with the member's employer, the department,  
13 and the administrative office of the courts, to accrue an additional  
14 benefit equal to one and one-half percent of average final compensation  
15 for each year of future service credit from the date of the election in  
16 lieu of future employee and employer contributions to the judicial  
17 retirement account plan under chapter 2.14 RCW.

18       (2)(a) A member who chooses to make the election under subsection  
19 (1) of this section may apply to the department to increase the

1 member's benefit multiplier by an additional one and one-half percent  
2 per year of service for the period in which the member served as a  
3 justice or judge prior to the election. The member may purchase,  
4 beginning with the most recent judicial service, the higher benefit  
5 multiplier for up to seventy percent of that portion of the member's  
6 prior judicial service that would ensure that the member has no more  
7 than a seventy-five percent of average final compensation benefit  
8 accrued by age sixty-four for members of plan 1, and age sixty-six for  
9 members of plan 2. The member shall pay(~~(, for the applicable period~~  
10 ~~of service,)) five percent of the salary earned for each month of~~  
11 ~~service for which the higher benefit multiplier is being purchased,~~  
12 ~~plus interest as determined by the director.~~ The purchase price shall  
13 not exceed the actuarially equivalent value of the increase in the  
14 member's benefit resulting from the increase in the benefit multiplier  
15 (~~as determined by the director)). This payment must be made prior to~~  
16 ~~retirement and prior to December 31, 2007.~~ After December 31, 2007, a  
17 member may purchase the higher benefit multiplier for any of the  
18 member's prior judicial service at the actuarially equivalent value of  
19 the increase in the member's benefit resulting from the increase in the  
20 benefit multiplier, as determined by the director.

21 (b) Subject to rules adopted by the department, a member applying  
22 to increase the member's benefit multiplier under this section may pay  
23 all or part of the cost with a lump sum payment, eligible rollover,  
24 direct rollover, or trustee-to-trustee transfer from an eligible  
25 retirement plan. The department shall adopt rules to ensure that all  
26 lump sum payments, rollovers, and transfers comply with the  
27 requirements of the internal revenue code and regulations adopted by  
28 the internal revenue service. The rules adopted by the department may  
29 condition the acceptance of a rollover or transfer from another plan on  
30 the receipt of information necessary to enable the department to  
31 determine the eligibility of any transferred funds for tax-free  
32 rollover treatment or other treatment under federal income tax law.

33 **Sec. 2.** RCW 41.40.127 and 2006 c 189 s 6 are each amended to read  
34 as follows:

35 (1) Between January 1, 2007, and December 31, 2007, a member of  
36 plan 1 or plan 2 employed as a district court judge or municipal court  
37 judge may make a one-time irrevocable election, filed in writing with

1 the member's employer and the department, to accrue an additional  
2 benefit equal to one and one-half percent of average final compensation  
3 for each year of future service credit from the date of the election.

4 (2)(a) A member who chooses to make the election under subsection  
5 (1) of this section may apply to the department to increase the  
6 member's benefit multiplier by one and one-half percent per year of  
7 service for the period in which the member served as a judge prior to  
8 the election. (~~The member shall pay, for the applicable period of~~  
9 ~~service,~~) The member may purchase, beginning with the most recent  
10 judicial service, the higher benefit multiplier for up to seventy  
11 percent of that portion of the member's prior judicial service that  
12 would ensure that the member has no more than a seventy-five percent of  
13 average final compensation benefit accrued by age sixty-four for  
14 members of plan 1, and age sixty-six for members of plan 2. The  
15 purchase price shall not exceed the actuarially equivalent value of the  
16 increase in the member's benefit resulting from the increase in the  
17 benefit multiplier (~~as determined by the director~~). This payment  
18 must be made prior to retirement and prior to December 31, 2007. After  
19 December 31, 2007, a member may purchase the higher benefit multiplier  
20 for any of the member's prior judicial service at the actuarially  
21 equivalent value of the increase in the member's benefit resulting from  
22 the increase in the benefit multiplier, as determined by the director.

23 (b) Subject to rules adopted by the department, a member applying  
24 to increase the member's benefit multiplier under this section may pay  
25 all or part of the cost with a lump sum payment, eligible rollover,  
26 direct rollover, or trustee-to-trustee transfer from an eligible  
27 retirement plan. The department shall adopt rules to ensure that all  
28 lump sum payments, rollovers, and transfers comply with the  
29 requirements of the internal revenue code and regulations adopted by  
30 the internal revenue service. The rules adopted by the department may  
31 condition the acceptance of a rollover or transfer from another plan on  
32 the receipt of information necessary to enable the department to  
33 determine the eligibility of any transferred funds for tax-free  
34 rollover treatment or other treatment under federal income tax law.

35 **Sec. 3.** RCW 41.40.870 and 2006 c 189 s 8 are each amended to read  
36 as follows:

37 (1) Between January 1, 2007, and December 31, 2007, a member of

1 plan 3 employed as a supreme court justice, court of appeals judge, or  
2 superior court judge may make a one-time irrevocable election, filed in  
3 writing with the member's employer, the department, and the  
4 administrative office of the courts, to accrue an additional plan 3  
5 defined benefit equal to six-tenths percent of average final  
6 compensation for each year of future service credit from the date of  
7 the election in lieu of future employer contributions to the judicial  
8 retirement account plan under chapter 2.14 RCW.

9 (2)(a) A member who chooses to make the election under subsection  
10 (1) of this section may apply to the department to increase the  
11 member's benefit multiplier by six-tenths percent per year of service  
12 for the period in which the member served as a justice or judge prior  
13 to the election. ~~((The member shall pay, for the applicable period of  
14 service,))~~ The member may purchase, beginning with the most recent  
15 judicial service, the higher benefit multiplier for up to seventy  
16 percent of that portion of the member's prior judicial service that  
17 would ensure that the member has no more than a thirty-seven and one-  
18 half percent of average final compensation benefit accrued by age  
19 sixty-six. The purchase price shall not exceed the actuarially  
20 equivalent value of the increase in the member's benefit resulting from  
21 the increase in the benefit multiplier ((as determined by the  
22 director)). This payment must be made prior to retirement and prior to  
23 December 31, 2007. After December 31, 2007, a member may purchase the  
24 higher benefit multiplier for any of the member's prior judicial  
25 service at the actuarially equivalent value of the increase in the  
26 member's benefit resulting from the increase in the benefit multiplier,  
27 as determined by the director.

28 (b) Subject to rules adopted by the department, a member applying  
29 to increase the member's benefit multiplier under this section may pay  
30 all or part of the cost with a lump sum payment, eligible rollover,  
31 direct rollover, or trustee-to-trustee transfer from an eligible  
32 retirement plan. The department shall adopt rules to ensure that all  
33 lump sum payments, rollovers, and transfers comply with the  
34 requirements of the internal revenue code and regulations adopted by  
35 the internal revenue service. The rules adopted by the department may  
36 condition the acceptance of a rollover or transfer from another plan on  
37 the receipt of information necessary to enable the department to

1 determine the eligibility of any transferred funds for tax-free  
2 rollover treatment or other treatment under federal income tax law.

3 (3) A member who chooses to make the election under subsection (1)  
4 of this section shall contribute a minimum of seven and one-half  
5 percent of pay to the member's defined contribution account.

6 **Sec. 4.** RCW 41.40.873 and 2006 c 189 s 9 are each amended to read  
7 as follows:

8 (1) Between January 1, 2007, and December 31, 2007, a member of  
9 plan 3 employed as a district court judge or municipal court judge may  
10 make a one-time irrevocable election, filed in writing with the  
11 member's employer and the department, to accrue an additional plan 3  
12 defined benefit equal to six-tenths percent of average final  
13 compensation for each year of future service credit from the date of  
14 the election.

15 (2)(a) A member who chooses to make the election under subsection  
16 (1) of this section may apply to the department to increase the  
17 member's benefit multiplier by six-tenths percent per year of service  
18 for the period in which the member served as a judge prior to the  
19 election. The member may purchase, beginning with the most recent  
20 judicial service, the higher benefit multiplier for up to seventy  
21 percent of that portion of the member's prior judicial service that  
22 would ensure that the member has no more than a thirty-seven and one-  
23 half percent of average final compensation benefit accrued by age  
24 sixty-six. The member shall pay(~~, for the applicable period of~~  
25 ~~service,~~) two and one-half percent of the salary earned for each month  
26 of service for which the higher benefit multiplier is being purchased,  
27 plus interest as determined by the director. The purchase price shall  
28 not exceed the actuarially equivalent value of the increase in the  
29 member's benefit resulting from the increase in the benefit multiplier  
30 (~~as determined by the director)). This payment must be made prior to~~  
31 ~~retirement and prior to December 31, 2007. After December 31, 2007, a~~  
32 member may purchase the higher benefit multiplier for any of the  
33 member's prior judicial service at the actuarially equivalent value of  
34 the increase in the member's benefit resulting from the increase in the  
35 benefit multiplier, as determined by the director.

36 (b) Subject to rules adopted by the department, a member applying  
37 to increase the member's benefit multiplier under this section may pay

1 all or part of the cost with a lump sum payment, eligible rollover,  
2 direct rollover, or trustee-to-trustee transfer from an eligible  
3 retirement plan. The department shall adopt rules to ensure that all  
4 lump sum payments, rollovers, and transfers comply with the  
5 requirements of the internal revenue code and regulations adopted by  
6 the internal revenue service. The rules adopted by the department may  
7 condition the acceptance of a rollover or transfer from another plan on  
8 the receipt of information necessary to enable the department to  
9 determine the eligibility of any transferred funds for tax-free  
10 rollover treatment or other treatment under federal income tax law.

11 (3) A member who chooses to make the election under subsection (1)  
12 of this section shall contribute a minimum of seven and one-half  
13 percent of pay to the member's defined contribution account.

14 **Sec. 5.** RCW 41.32.584 and 2006 c 189 s 7 are each amended to read  
15 as follows:

16 (1) Between January 1, 2007, and December 31, 2007, a member of  
17 plan 1 employed as a supreme court justice, court of appeals judge, or  
18 superior court judge may make a one-time irrevocable election, filed in  
19 writing with the member's employer, the department, and the  
20 administrative office of the courts, to accrue an additional benefit  
21 equal to one and one-half percent of average final compensation for  
22 each year of future service credit from the date of the election.

23 (2)(a) A member who chooses to make the election under subsection  
24 (1) of this section may apply to the department to increase the  
25 member's benefit multiplier by one and one-half percent per year of  
26 service for the period in which the member served as a justice or judge  
27 prior to the election. The member may purchase, beginning with the  
28 most recent judicial service, the higher benefit multiplier for up to  
29 seventy percent of that portion of the member's prior judicial service  
30 that would ensure that the member has no more than a seventy-five  
31 percent of average final compensation benefit accrued by age sixty-  
32 four. The member shall pay(~~(, for the applicable period of service,)~~)  
33 five percent of the salary earned for each month of service for which  
34 the higher benefit multiplier is being purchased, plus interest as  
35 determined by the director. The purchase price shall not exceed the  
36 actuarially equivalent value of the increase in the member's benefit  
37 resulting from the increase in the benefit multiplier (~~as determined~~

1 ~~by the director~~)). This payment must be made prior to retirement and  
2 prior to December 31, 2007. After December 31, 2007, a member may  
3 purchase the higher benefit multiplier for any of the member's prior  
4 judicial service at the actuarially equivalent value of the increase in  
5 the member's benefit resulting from the increase in the benefit  
6 multiplier, as determined by the director.

7 (b) Subject to rules adopted by the department, a member applying  
8 to increase the member's benefit multiplier under this section may pay  
9 all or part of the cost with a lump sum payment, eligible rollover,  
10 direct rollover, or trustee-to-trustee transfer from an eligible  
11 retirement plan. The department shall adopt rules to ensure that all  
12 lump sum payments, rollovers, and transfers comply with the  
13 requirements of the internal revenue code and regulations adopted by  
14 the internal revenue service. The rules adopted by the department may  
15 condition the acceptance of a rollover or transfer from another plan on  
16 the receipt of information necessary to enable the department to  
17 determine the eligibility of any transferred funds for tax-free  
18 rollover treatment or other treatment under federal income tax law.

19 NEW SECTION. Sec. 6. A new section is added to chapter 41.40 RCW  
20 under the subchapter heading "provisions applicable to plan 1, plan 2,  
21 and plan 3" to read as follows, but because of its temporary nature  
22 shall not be codified:

23 A member who purchased the higher benefit multiplier for prior  
24 judicial service prior to the effective date of this section may,  
25 between the effective date of this section and December 31, 2007, apply  
26 to the department to have the higher benefit multiplier cost  
27 recalculated under this act. Any difference in the cost in favor of  
28 the member shall be remitted to the member.

29 NEW SECTION. Sec. 7. A new section is added to chapter 41.32 RCW  
30 under the subchapter heading "plan 1" to read as follows, but because  
31 of its temporary nature shall not be codified:

32 A member who purchased the higher benefit multiplier for prior  
33 judicial service prior to the effective date of this section may,  
34 between the effective date of this section and December 31, 2007, apply  
35 to the department to have the higher benefit multiplier cost

1 recalculated under this act. Any difference in the cost in favor of the  
2 member shall be remitted to the member.

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